

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Citizens Bancorp; Citizens Bank of Northern California (CBNC)

Point of Contact:	Susann Boley, EVP/Chief Financial Officer	RSSD: (For Bank Holding Companies)	3165133
UST Sequence Number:	325	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	0	FDIC Certificate Number: (For Depository Institutions)	33983
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2009	City:	Nevada City
Date Repaid ¹ :	N/A	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

From January 1, 2010 through December 31, 2010, CBNC originated 75 new loans in the total amount of \$18,600,000 and approved renewals of 191 loans totaling \$108,700,000. CBNC has diligently been working with troubled customers restructuring 34 loans totaling \$21,400,000.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

New loans originated % (calculated by #): 53.3% commercial, 18.7% commercial real estate, 12% loans to individuals, & 16% home equity loans. Renewals % (calculated by #): 71.2% commercial, 13.6% commercial real estate, 4.2% loans to individuals, 3.1 % home equity, & 7.8% construction.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

During 2010, CBNC augmented its loan loss reserve by \$12,350,000.

☐ Reduce borrowings.

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☒ **Increase charge-offs.**

During 2010, CBNC realized \$12,400,000 in charge-offs.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The infusion of CPP funds assisted Citizens Bancorp and CBNC in compliance with institutions capital requirements. Without the \$10,400,000 infusion, CBNC's Tier One Risk Based Capital to Risk Weighted Assets would have stood at 2.66% rather than 6.04%. Total Risk Based Capital to Risk Weighted Assets would have been 3.96% instead of 7.34%; and the Tier One Leverage Ratio would have been 2.15% rather than 4.75%. This added capital cushion assisted CBNC in assuring its depositors and customers that it could withstand the effects of the recession and has allowed time for Citizens Bankcorp to pursue raising between \$20,000,000 and \$30,000,000 in supplemental capital.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Reduce Borrowings - In 2010, CBNC reduced FHLB advances by \$9,400,000 and brokered deposits by \$9,200,000. Increase Securities Purchased - In 2010, the CBNC securities portfolio increased by \$8,600,000. Make Other Investments - In 2010, CBNC increased CD's invested in other banks by \$19,100,000.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None.